



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

WELFARE REFORM COMMITTEE

Tuesday 12 August 2014

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.scottish.parliament.uk or by contacting Public Information on 0131 348 5000

Tuesday 12 August 2014

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1635
SUBORDINATE LEGISLATION.....	1636
Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc) Order 2014 [draft]	1636
EXPERT WORKING GROUP ON WELFARE AND CONSTITUTIONAL REFORM REPORT (SCOTTISH GOVERNMENT RESPONSE)	1648

WELFARE REFORM COMMITTEE

12th Meeting 2014, Session 4

CONVENER

*Michael McMahon (Uddingston and Bellshill) (Lab)

DEPUTY CONVENER

*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

COMMITTEE MEMBERS

*Annabelle Ewing (Mid Scotland and Fife) (SNP)

Linda Fabiani (East Kilbride) (SNP)

*Alex Johnstone (North East Scotland) (Con)

*Ken Macintosh (Eastwood) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Susan Anton (Scottish Government)

Jackie Baillie (Dumbarton) (Lab)

Owen Griffiths (Scottish Government)

Edward Orr (Scottish Government)

Jackie Pantony (Scottish Government)

Nicola Sturgeon (Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Welfare Reform Committee

Tuesday 12 August 2014

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Michael McMahon): Good morning and welcome to the 12th meeting in 2014 of the Welfare Reform Committee. As usual, I start by asking everyone to ensure that mobile phones and other electronic devices are switched off.

Under agenda item 1, do members agree to take in private item 5, which is consideration of the committee's work programme?

Members *indicated agreement.*

Subordinate Legislation

Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc) Order 2014 [draft]

10:00

The Convener: Under item 2, the committee will take evidence from the Deputy First Minister on the draft Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc) Order 2014.

The order has been laid under the affirmative procedure, which means that the Parliament must approve the draft before the provisions may come into force. The order is also subject to the affirmative procedure in both houses of the United Kingdom Parliament.

Following the evidence session with the Deputy First Minister, the committee will be invited to consider the motion to recommend approval of the order under item 3, which is the formal debate on the order. The officials who are accompanying the Deputy First Minister will be unable to speak to the committee at that point.

I welcome to the meeting the Deputy First Minister, Nicola Sturgeon. She is joined by Owen Griffiths, policy officer, Scottish Government housing support and homelessness unit, and Jackie Pantony—I hope that I said that right—principal legal officer, Scottish Government legal directorate.

I give the Deputy First Minister the opportunity to make a brief opening statement.

The Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities (Nicola Sturgeon): Thanks, convener.

I thank the committee for its assistance in applying pressure on the Department for Work and Pensions in respect of the cap on discretionary housing payments and for agreeing to consider the section 63 order so quickly. I certainly hope that we can see the order complete its stages in the Scottish Parliament swiftly so that we have ensured that we have played our part in having it agreed to timeously.

It is also appropriate for me to record my thanks to the Scotland Office and to David Mundell in particular for their assistance and co-operation in ensuring that we are working to an ambitious timetable that is designed to ensure that the transfer of power takes effect and the subsequent order that the Scottish Government requires to lay can take effect in this financial year.

The section 63 order transfers the power that is found in section 70(3)(a) of the Child Support, Pensions and Social Security Act 2000 to set the cap on the amount that local authorities can spend on DHP in a financial year. The committee is well aware of the history of the order. The Scottish ministers have previously explained that we believe that DHP is the best way of mitigating the bedroom tax, because it is the only way of making regular, on-going payments directly to tenants who are affected by the bedroom tax.

As the committee is aware, the Scottish Government initially asked the DWP to lift the cap for Scotland. That move would have required a simple negative instrument in Westminster. The UK Government decided to transfer the power to the Scottish Government to allow us to lift the cap. Although that is not the process that we initially recommended, we nevertheless welcome it. The process will place the power to lift or vary the cap in the hands of the Scottish ministers. Only that order-making power is being transferred via the section 63 order; no further powers will pass to the Scottish Government in respect of DHP.

The Scotland Office has agreed to the timetable, which I know has been shared with the committee. The aim of the timetable is for the order to be made at the November meeting of the Privy Council. At this time, everything is on schedule from the perspective of both the Scottish Government and the Scotland Office.

I am keen to hear the views of the committee and to answer any questions, of course.

The Convener: Do members have questions?

Alex Johnstone (North East Scotland) (Con): Before we all agreed on the route that we are taking by lifting the cap on discretionary housing payments, some people—including me—suggested during the discussion that took place before that decision was made that other routes may have produced greater flexibility and that, by choosing to direct all the resource available through discretionary housing payments, we may make it difficult to get the breadth of cover that the money could achieve. In your view, are there any areas where taking the DHP route limits your capacity to act in other ways?

Nicola Sturgeon: Obviously, there are eligibility criteria for DHP, and the policy direction continues to be set by Westminster. Therefore, somebody who is in receipt of DHP has to be in receipt of housing benefit. It has always been and continues to be my view that DHP is the best way of mitigating the bedroom tax. As I have set out today and previously, that is because it is the only way in which the Scottish Government, via local authorities, can get directly into the hands of individuals regular and on-going payments that

effectively compensate them for the amount of housing benefit that they are losing as a result of the bedroom tax. Within the powers that we currently have, there is no other way in which we could do that.

I am perfectly comfortable that that method allows us to do what we have set out the intention to do, which is to take away the impact of the bedroom tax. It will not surprise you to hear that I wish that we could just abolish the bedroom tax rather than have to mitigate it, but in the absence of the power to do that, I have not a shadow of doubt in my mind that mitigating the bedroom tax by using DHP is the best way of proceeding.

Ken Macintosh (Eastwood) (Lab): The subordinate legislation before us is an affirmative instrument, but the actual measure that you are going to introduce—the power to lift the cap—will be a negative instrument. Why is one affirmative and the other negative?

Nicola Sturgeon: If Westminster had decided to lift the cap, that would have been done with a negative instrument—that is the current way of varying the cap. The instrument before the committee is an affirmative instrument because it involves the formal transfer of the power to vary the cap. However, I think that it is appropriate to stick to the method that would have been used by Westminster, under which the Scottish Government would have two options: we could change the cap from its present level to raise it to a higher level; or we could remove the cap altogether. Our intention is to remove the cap altogether.

Ken Macintosh: There have been reports about how some local authorities are using the DHP money that is given to them. For example, Falkirk Council has suspended DHP for some groups of people who are unaffected by the bedroom tax. I know that you have said that that should not happen, but I raise the issue because I have a constituent who has been denied a payment. He fears that that has been done because payments have been displaced by the focus on the bedroom tax. You do not want that to happen, but is there anything that you can do to ensure that it does not happen?

Nicola Sturgeon: The responsibility for administering discretionary housing payments lies with local authorities. I made the point earlier that we are getting only the power to vary the cap, not the power to change any of the policy context of DHP. Two issues to do with local authorities have arisen, and I will touch on both of them—I think that you have touched on the second of those in particular.

Local authorities were obviously concerned that, until the cap is formally lifted, which will not

happen until later in this financial year, they might run into legal difficulties if they got to the point at which they had to breach the cap. I think that we have managed to give local authorities assurance and comfort on that through the joint letter that has been issued by the UK and Scottish Governments. I have been very clear that local authorities should plan on the basis of spending up to the limit of the money that they have available.

I have been equally clear—I put it on the record again today—that the money that the Scottish Government is providing for discretionary housing payments is expressly intended to mitigate the bedroom tax. That means that anybody affected by the bedroom tax who applies for a discretionary housing payment should get that payment without any other means testing being applied.

You asked whether, given the focus on mitigating the bedroom tax through DHP, other uses are being constrained or curtailed. I should say at the outset that, although I know that money is tight in local authorities, once we lift the cap there will be nothing to prevent local authorities from adding more to discretionary housing payments from within their own resources, if they so choose.

However, even within the amount that has been allocated so far, local authorities have a ballpark figure of £50 million this year—£35 million from the Scottish Government and £15 million from the UK Government—and our current estimate of the cost of mitigating the bedroom tax is in the region of £40 million. Therefore, additional resources are available through discretionary housing payments for other purposes.

The £15 million from the UK Government is split into a core amount and amounts for the bedroom tax, the bedroom tax in rural areas, the benefit cap and the local housing allowance.

We take the view that the bedroom tax can be mitigated within that £50 million without touching any of the resource for non-bedroom-tax purposes. Resources are in place to deal with other claims in relation to discretionary housing payments. Of course, it is down to individual local authorities to assess those claims in the normal way.

Ken Macintosh: That is very helpful and in line with my understanding of the Scottish Government's position on the matter.

Are you monitoring to see whether there is any evidence that the tax is having a displacement effect and that some discretionary housing payments that would normally be expected are not being made? Are you actively intervening in any way?

Nicola Sturgeon: We are monitoring the use of discretionary housing payments and we will continue to do so. We will continue to discuss with councils their practical experience of the situation.

I have said openly that, with the best will in the world, the Scottish Government cannot, through discretionary housing payments or any other means, compensate for the full impact of benefit cuts, which are taking £6 billion out of the Scottish economy. We are doing as much as we can—indeed, everything that we reasonably can—and we will continue to look at the issues with an open mind.

However, nobody should be under the illusion that somehow we have a bottomless pit of money from which to put back all the money that the UK Government is taking out of people's pockets. The only way for us to be able to stop the full impact of the cuts is to have the power to stop those changes at source.

Ken Macintosh: The Scottish Government, the Westminster Government and local authorities have made money available to help with the impact of the welfare cuts, but it has not all been taken up. I was reading some analysis of the situation, which noted that the amount of money that was made available in rural areas may have been overestimated. What are your thoughts on why there has not been full take-up of that money? Is it because there is a very hard-to-reach group out there? Is it because there is an overallowance for rural areas? Are there any other explanations?

Nicola Sturgeon: With regard to the initial allocation of money, we are right now in a situation in which 12 local authorities, even before the final tranche of money from the Scottish Government for DHPs has been allocated, are already funded adequately to fully mitigate the bedroom tax. In allocating the remainder of the money, which must be done in agreement with the Convention of Scottish Local Authorities, we need to get that money to the local authorities that need it.

The cap applies to individual local authorities as well as to the global sum of money, so we wanted the cap lifted not just so that we could increase the global sum but so that we could flex that money in terms of where it is getting to, in order to ensure that there are not overallocations in some areas and underallocations in others. That is what we hope to be able to do with the remaining tranche of money.

Without labouring the point—well, I will labour the point, because it is important—the bedroom tax has not been abolished. It is still in existence, and people still have a legal liability if they lose some housing benefit to meet the rent that is not covered by the benefit.

When I made my statement on the matter in Parliament, I was very clear—I think that you asked a question about this—that local authorities, housing associations and the Government have to get the message across that people have to apply for help.

You know as well as I do that the message is easier to get across to some groups than others. We still have an on-going job of work to do to ensure that people are aware of the help that is available.

I know that you are talking about discretionary housing payments and, in other aspects of our welfare mitigation work, such as the welfare fund, the underspends that we saw last year were, generally speaking, a feature of a new fund bedding in. I do not think that we will have too much difficulty getting that money out the door.

Those are issues that we have to keep at. We cannot just assume—particularly when we are talking about the bedroom tax—that everybody who is entitled to help will apply for it. Local authorities, housing associations and landlords have a particular responsibility to get that message across.

10:15

Ken Macintosh: Thank you for that reply.

Can I ask another question on the same point, convener?

The Convener: One more.

Ken Macintosh: There is huge variation among local authorities in relation to the proportion of DHP funding spent. North Lanarkshire Council has spent more than 100 per cent, whereas Moray Council and Perth and Kinross Council have spent less than 30 per cent. That is quite a variation. I just want to understand the key reason behind that huge variation. It cannot just be about hard-to-reach people.

Nicola Sturgeon: No. Some of it will be down to the differing impacts of the bedroom tax and an initial situation in which the allocation of the funding did not necessarily mirror where the greatest demand was, which is what we are trying to fix now with the flexibility of not having the cap. I repeat my earlier point: the cap had a double effect—or has a double effect, rather, because it is still in place—in that it limits what can be spent in a global sense but it also limits what can be spent in individual areas. Some local authorities, with their maximum allocation under the cap, still did not have enough to mitigate all the impact of the bedroom tax, whereas other local authorities perhaps had too much for that purpose, given the lesser demand for it. Getting rid of the cap helps

us sort the allocation as well as ensure that there is enough money overall.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): My question is not so much about the policy objective of the order, which I think the whole committee agrees with. We will find out in a minute. It is more a procedural question about the role of the Westminster Parliament after we, as I presume we will, agree the instrument today. How does the process work, exactly? What is the timescale and what is the procedure? Do both houses of the Westminster Parliament have to consider the instrument? Are we expecting a straightforward process?

Nicola Sturgeon: I hope so, but obviously that part of the process is not entirely within my control. The order is expected to pass through both the House of Commons and the House of Lords in October. The relevant House of Commons committee is scheduled to meet on 14 October and the House of Lords grand committee is scheduled to meet on 23 October. It is anticipated that there will be a motion to approve the order in the House of Lords on 27 October. All that is on track at the moment, but as you would expect we continue to monitor progress and to contribute where we can in order to ensure that the process remains on track. Responsibility for the Westminster side of the process obviously lies with the Scotland Office. David Mundell and I are in contact when we need to be to ensure that the process keeps going at pace.

Jamie Hepburn: I presume that the timescale is contingent on this Parliament dealing with our side of it on time as well.

Nicola Sturgeon: Indeed.

Jamie Hepburn: I have one final quick question about the procedure. I think there was a bit of frustration—I am sure that you were frustrated as well—at the delay because you had to wait for the Privy Council to produce the order. Is its role now finished? The order will not go back to the Privy Council, will it?

Nicola Sturgeon: Yes. The Privy Council has to approve the order. Assuming that everything stays on track, the expectation is that that will happen at the November meeting of the Privy Council. The fallback is that it could happen in December, but the preference is for it to happen at the November meeting.

Jamie Hepburn: Again, we are hoping that that is a straightforward process.

Nicola Sturgeon: I am not familiar with the inner workings of the Privy Council, but I hope that it will be straightforward.

The Convener: The committee is joined by Jackie Baillie, who will ask the next question.

Jackie Baillie (Dumbarton) (Lab): Thank you, convener. Although the Deputy First Minister and I would probably argue over whether there are other ways of doing this, I very much welcome the fact that the order is before us today. The letter of comfort that has been signed by both Governments is also welcome. Is she aware that there is continuing reticence on the part of some local authorities to provide full DHP now?

Nicola Sturgeon: There should not be reticence. If anybody wants to bring to me evidence of particular reticence in any local authorities, I will endeavour to discuss that with those local authorities. DHPs are their responsibility to administer. I do not have power of direction over local authorities in this, but there is no reason why local authorities should be reticent about mitigating the bedroom tax through DHPs.

Jackie Baillie: Okay. That is very helpful. You mentioned the question of additional money being available because the estimate for the cost of the bedroom tax is now at £40 million. There are cases of people being threatened with eviction—one of them is a constituent of mine—in a local authority area that failed to spend the money fully last year. They are being threatened with eviction as a result of not quite non-payment, but an inability to afford the bedroom tax from last year. Given the additional available resources that you referred to, would you consider backdating payments in such circumstances?

Nicola Sturgeon: To talk about additional resources is slightly misleading because—to go back to Ken Macintosh's point—there are other calls on DHPs; people have recourse to DHPs for reasons other than the bedroom tax. Speaking on behalf of Scottish National Party councils, I say that SNP councils were always very clear that there would be no evictions of people who were trying to pay but could not because of the bedroom tax. I encourage all local authorities to take that position.

There were underspends of the money last year in some local authorities, and it is open to local authorities to backdate DHP support. However, that is a matter for them—I cannot instruct them to do that. I therefore encourage you to liaise and engage with the local authority in your area, which I believe you know well, on that or on any other particular case.

Jackie Baillie: I have two local authorities in my area, Deputy First Minister.

I am interested in what you said about backdating. I take it that local authorities can backdate beyond one financial year. Also, it is not just about councils. The case that I mentioned involved a housing association because, of

course, Argyll and Bute Council did a full stock transfer.

Nicola Sturgeon: I do not know the details of the constituency case that you are referring to, obviously. I am pretty sure that you will pursue the case vigorously and rigorously in the best way that you can. There is discretion available to local authorities to backdate across financial years; that discretion rests with them. That is why I encourage you to discuss the matter with them.

Jackie Baillie: On the basis of what you said earlier, I will not call it additional money, but there is money available in the budget because it is estimated now that the bedroom tax will cost £40 million rather than £50 million, as was previously thought. Would you encourage local authorities to use their discretion to backdate for people who are threatened with eviction as a consequence of the tax?

Nicola Sturgeon: That would depend on the circumstances. The money in this financial year is there to mitigate the bedroom tax in this financial year. Local authorities have discretion, but they have to be mindful of the other calls on DHPs. I have every confidence that local authorities are perfectly able to exercise that judgment. If there are particular cases that merit that approach, I encourage local authorities to look at them sympathetically, but the decision rests with them.

Jackie Baillie: I suppose what I am asking you is whether you would favour an approach that actually—

Nicola Sturgeon: I am not going to sit here and endorse or encourage a blanket approach because I think that the approach should depend on particular circumstances. The money that we have made available to local authorities for this financial year is to mitigate the bedroom tax in this financial year.

Jackie Baillie: So, on that basis, if the money is for mitigation in this financial year, you are ruling out—

Nicola Sturgeon: I suspect that Jackie Baillie is deliberately trying not to understand what I am saying.

Jackie Baillie: No, no. I am absolutely not doing that.

The Convener: If people speak one at a time, we will get a clearer perspective.

Jackie Baillie: I genuinely just want clarity on what you are saying, because there are people being threatened with eviction because of bedroom tax arrears for last year.

Nicola Sturgeon: Let me try to explain it in simple terms, for the benefit of Jackie Baillie. Local authorities have the discretion to backdate

support, and it is entirely up to them whether they choose to exercise that discretion in any individual case.

Jackie Baillie: Thank you.

Annabelle Ewing (Mid Scotland and Fife) (SNP): Good morning, Deputy First Minister. I want to raise two brief points. The first one—to go back to Ms Baillie's comments on mitigation—is that, obviously, this is a policy area over which Westminster has control, and what our Scottish Government is doing is mitigating the harmful impacts of a Westminster policy.

That leads me to my second point, which is important. It is on something that you mentioned earlier. The order that we are discussing will not abolish the bedroom tax in Scotland but will, rather, mitigate its impact. That leads me to the point that it is surely this Parliament and not the Westminster Parliament that should have control over such matters and, further, that the only way to guarantee that this Parliament can control them is for people to vote yes on 18 September.

Nicola Sturgeon: Yes. We will not be abolishing the bedroom tax through the order; we will be mitigating its effects. I do not want people to suffer as the result of an iniquitous policy that has been imposed by a Government that we did not vote for, but that is the position that we are in. I did not come into politics to mitigate the policies of Westminster Governments. I came into politics because I wanted to be able, with others, to take decisions that avoid bad policies and, I hope, implement good policies that make people's lives better.

It beggars belief—it is beyond my comprehension—that politicians, particularly those who are of a different persuasion to the current Westminster Government, would be happy with mitigation when we could take the powers into our own hands and trust ourselves to use them better. However, I will leave those who are in that rather absurd position to explain it, because I cannot do it.

Annabelle Ewing: Thank you. It has to be said that some of those politicians did not bother to turn up to vote in the House of Commons when they could have done something about it, but there we go. That is not really a new thing.

It is important that the point is made that the order will not, sadly, abolish the bedroom tax because as we have heard we do not currently have the power to do that. I hope that we will have that power soon.

The Convener: I do not know whether there was a question there, but we are going to have a debate on the issues, so maybe we can discuss the point then.

Deputy First Minister, I go back to your point that the DHP route is the only one that is available to address the problem. When the Minister for Housing and Welfare was before us, I asked her a question about discussions that were on-going with local authorities about their preferred options for disbursement of funds to support people who are affected by the bedroom tax. Audit Scotland had approved Renfrewshire Council's means of doing that, and in my area North Lanarkshire Council was pursuing a route that is being used by some local authorities in England. The housing minister's officials confirmed that discussions were taking place with North Lanarkshire Council about alternative ways of distributing the money. Have those discussions concluded? Are you going to continue discussing alternatives?

Nicola Sturgeon: I am not aware that there is any appetite to discuss alternatives. There is no mystery here. When we did not have agreement from the United Kingdom Government either for it to raise the cap or for it to allow us to do that, we said that we would look at other options, but we have always been clear that, in our view, what we are doing is the best option. Unlike other options, it has the ability to get regular on-going payments directly to tenants, to avoid their getting into debt, which is an important part of this. We were prepared to consider other options, but what we are doing is the best way, and now that we have the power to do it in the best way, that is how we are opting to do it. That is absolutely the right thing to do.

The Convener: Have you ruled out the other options? Are discussions about them continuing with local authorities?

Nicola Sturgeon: We are routing the money that we have set aside to mitigate the bedroom tax through discretionary housing payments because it is the best option. I am not aware of better options. I do not see why we would have discussions to try to come up with second-best options when we are securing the power to distribute the money in the best way possible.

The Convener: In the case that I am talking about, I was asked by officials from North Lanarkshire Council to ask that question of the housing minister. They believed that their preferred option, which required the approval of Scottish Government ministers, was better than the DHP option. Do they have discretion to use a different method, or are you saying that DHP is the only method that they can use?

Nicola Sturgeon: Scottish Government financial support is going to discretionary housing payments. Councils have discretion to do a range of different things; I cannot direct them or stop them doing those things, but in terms of the money—

The Convener: According to Audit Scotland, you can approve alternative methods.

Nicola Sturgeon: I am happy to come back to you on the point, but I am not aware of any request for approval. The Scottish Government's financial support to mitigate the bedroom tax is being routed through discretionary housing payments. If local authorities want to do other things in addition to that, we will always be prepared to discuss that and enter dialogue with them. I am not going to sit here and give guarantees or say where those discussions would end up, but discretionary housing payments are the best route, in our view, to mitigate the bedroom tax, which is why we are routing our financial support through them.

The Convener: Okay. That appears to be the end of our questions, so we move on to agenda item 3, which is the formal debate on the order. We have scheduled 90 minutes for the debate, but I am not encouraging members to use that. I remind the committee and others that officials may not speak during the formal debate.

I invite the Deputy First Minister to speak to and move motion S4M-10739, in her name.

Nicola Sturgeon: I move,

That the Welfare Reform Committee recommends that the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc) Order 2014 be approved.

The Convener: Do members want to make any comments?

Members: No.

Motion agreed to.

The Convener: That concludes that part of our business. I thank everyone for their contributions.

I will suspend the meeting for a couple of minutes as we have to change the seating arrangements.

10:31

Meeting suspended.

10:35

On resuming—

Expert Working Group on Welfare and Constitutional Reform Report (Scottish Government Response)

The Convener: Agenda item 4 is on the Scottish Government's response to the report of the expert working group on welfare and constitutional reform. Members will recall that the committee took evidence from Martyn Evans, Lynn Williams and David Watt of the expert working group at our meeting on 24 June.

The committee has the opportunity today to take evidence on the Scottish Government's response to the report. The Deputy First Minister joins us for that purpose, and she is now joined by Susan Anton, economist in the welfare analysis branch, and Edward Orr, senior policy officer in the welfare division, from the Scottish Government. I invite the Deputy First Minister to introduce the Scottish Government's response.

Nicola Sturgeon: I will be reasonably brief. I place on the record my thanks to the expert group's chair, Martyn Evans, and to all its members. I know that some of the members appeared in front of the committee before the summer recess. The report that the group has produced for our consideration is solid, robust and comprehensive. Coupled with the group's first report, it would provide a newly independent Scotland with a solid foundation on which to build a better and more fit-for-purpose welfare system.

It is appropriate to point out with sadness—I am sure that all committee members share it—that Professor Ailsa McKay, who was a member of the group, passed away before the group concluded its work. I know that her input to the group was hugely valuable and I have no doubt that she would have continued to make a valuable contribution. I record my thanks to her for the work that she did on the group and for her enormous contribution to the policy area over a long period.

We are discussing the group's second report, as I said. The group's first report was technical; it looked at the costs of welfare in an independent Scotland and the infrastructure that is in place to support the delivery of the welfare system. In that report, the group found that the Scottish Government's forecasts were a reasonable estimate of the costs that would be involved—the UK Government's analysis paper mirrored those estimates.

We know that Scotland is well placed to deliver the functions that are needed for a welfare system.

The group found that Scotland delivers almost all parts of the current UK benefits system to people who live in Scotland from locations in Scotland. We also deliver significant services to England, which run into the millions.

For the second report, I asked the group to look at options for change, including the principles that should underpin reform, how those principles might be reflected in supporting people into work and how we as a society should best support those who cannot work and help them to have a decent standard of living and to contribute fully to society. That was not an easy remit, but the group has come up with a solid piece of work that deals with key issues, such as in-work poverty, while outlining a way forward that would put trust back into the system.

The report details some 40 recommendations, but the finding at its heart is striking: trust in the system has broken down. That applies to the wider public's trust that their taxes are contributing to a fair system and to welfare system recipients' trust that they are being treated with dignity and respect and that their contribution is being recognised.

I will not run through all the recommendations, because I know that we will get into the detail in our discussion. The Government said that it would immediately accept a number of the recommendations, which were on establishing a national convention, increasing carers allowance, restoring the link between benefits and the cost of living, abolishing the bedroom tax, replacing the current system of sanctions and abolishing the current work capability assessment, which determines the ability of the sick and the disabled to work.

We are looking carefully at a range of other recommendations, which need to be considered in all their complexity. However, we are looking favourably at the other recommendations, not least of which is the suggestion that we should over time increase the minimum wage to match the living wage. That would be hugely important in dealing with the growing problem of in-work poverty in this country.

We are also looking at alternatives to the work programme—how we support those with a disability to enter and stay in work—and the proposal for the introduction of a new social security allowance.

One of the most powerful things about the report, which we must all give further thought to, was the suggestion that we need a radically different way of supporting sick and disabled people. The analogy was drawn with the concerted efforts that were brought to bear on lifting pensioners out of poverty. We need a similar

holistic approach to dealing with those with long-term disabilities who are not likely to be capable of using work as a route out of poverty.

I am very pleased with the report, which gives us a solid base to work on. I am very keen to hear the committee's views and answer questions.

The Convener: Thank you very much, Deputy First Minister. I will kick off with some of the issues that Martyn Evans raised with the committee. He said that, apart from the remit of options and principles, which you explained, he had been given "no cost constraints". Can you explain the rationale for that aspect of the remit?

Nicola Sturgeon: The group was asked to look with a fairly open mind. As Martyn Evans explained at some length to the committee, the group operated broadly within the financial envelope of the current cost and estimated cost, over the next few years, of delivering the welfare system in Scotland. However, at the outset of its work it was not restricted by a cost envelope. It was asked to look creatively and imaginatively. It looked at some radical options, including a citizen's income, although it did not recommend that.

I am fairly well-known as a critic of the cuts that are being imposed by Westminster, as are other members of the committee. There are big aspects of the current direction of travel with which we should not carry on: the move to universal credit and personal independence payments, for example. The move to restore the key link between benefits and the cost of living is very important, as is the increase in the carer's allowance, although those things have cost implications.

A central theme of much of what the report talked about was how we use current resources better, particularly to help into work those who are furthest from the labour market.

The Convener: Do you accept that there will be cost implications? Some people have suggested that there will be cost implications of about £350 million. I am looking at the recommendations of the expert working group. Those figures have been bandied about; do you recognise them?

Nicola Sturgeon: I do not know where that particular figure comes from, so I do not accept it.

The Convener: That is part of the start-up costs and other implications.

Nicola Sturgeon: I am happy to deal with start-up costs—to use your terminology—separately. I assume that you are talking about the cost of delivering a welfare system. The report is very open about some of the cost implications of some of its proposals, such as increasing the carers allowance so that it matches jobseekers

allowance. I hope that everybody would agree that it is not acceptable that carers, who contribute so much, have the lowest level of benefit of any group in society. The cost of that proposal is set out in the report at around £32 million.

The precise cost of restoring the link between benefits and the consumer price index depends on the level of CPI. Of course, the UK Government says that it plans to restore that link from 2017-18, and that cost is factored into its projections. Whether it actually does that remains to be seen.

Much of what the report is talking about, which is very welcome, is how we better use resources to get people into work, and then how we ensure that once people are working they earn a standard of remuneration that lifts them out of poverty. Again, I hope that around the table we would agree that one of the biggest challenges that we face is in-work poverty. The report talks about the potential savings, which are based on estimates from very estimable organisations of what could be saved to the public purse over time if, rather than the state subsidising low pay, people were paid the living wage.

10:45

Issues to do with transition set-up are dealt with in the white paper, as you are aware. Chapters 4 and 10 deal with issues to do with welfare. I do not want to put words into the mouths of the members of the expert working group, when they appeared before the committee, but given the degree of delivery infrastructure that already exists in Scotland—almost the entirety of the welfare system in Scotland is delivered from locations in Scotland and by staff in Scotland—I think that their view was that the cost would be broadly neutral.

Professor Dunleavy has looked at the issue in greater detail—I do not know whether the figure that you used at the outset came from his work. He drew the distinction between pure set-up costs and what he described as “investment costs”. For example, a Scottish Government would invest in new information technology systems to support a new welfare system over time. As Professor Dunleavy said, costs in that regard would be investment costs, as a result of seeking more efficient ways of delivering systems. As part of the UK, we pay our share towards new computer systems anyway.

I am happy to go into more detail on particular points, but that is the general thrust.

The Convener: I will ask one more question before I bring in other committee members. As you said, the expert working group suggested that a national convention on welfare should be set up in 2015. Would financial sustainability be part of the convention's remit? What restrictions might you

place on the convention's considerations, to ensure that the fiscal constraints under which you were operating were taken into consideration?

Nicola Sturgeon: Fiscal sustainability should be a cardinal principle of any responsible Government. Given that the UK Government is sitting on a £1.5 trillion debt mountain, it is hard to believe that that has been the case for UK Governments down the years, but I am a member of a Government that balances the books every year. Attention to sustainability and fiscal responsibility is vital.

In Scotland we start from a strong position—the expert group drew attention to that in both its reports—in which social protection, which encompasses welfare and pensions, takes up a smaller proportion of our national economy than is the case across the UK. We start from a more sustainable and affordable position, and everything that we do, whether it is on welfare or anything else, must be done with the determination to be financially responsible.

One of the big challenges—which I think is one of the big opportunities to do welfare better—is to design our welfare system and align it with systems of employment and our approach to the minimum and living wage in a way that is very much focused on getting folk into work and ensuring that work pays decently for people, so that people in work need not depend on the welfare system.

I do not hold to the idea that Scotland cannot afford a decent welfare system and should not aspire to a better system that represents a better use of taxpayers' money.

The Convener: Do your figures take account of the secret oilfield off Shetland?

Nicola Sturgeon: Is that a serious question?

The Convener: Well, it is a point of view—

Nicola Sturgeon: I am prepared to answer it if it is a serious question; our figures—

The Convener: Well, if you want to answer it. Are your figures based on the published figures from the Office for Budget Responsibility or the ones that you have used in the Parliament, and do they include that secret oilfield?

Nicola Sturgeon: I will not go into a question about secret oilfields, because I think that that would probably demean the purpose of this committee.

As you know, our oil projections are published and take account of a range of estimates. They are in line with industry estimates for production. They project a flat-cash price per barrel, which in real terms is about a 10 per cent reduction, so

they are cautious. Our fiscal projections take account of that.

I hope that we all regard our country's vast oil wealth as an advantage and a bonus. It is something that we should be proud of, and we should ensure that it benefits more people in future than it has done in the past. It is not something to be ridiculed, however much your remark was intended to be in jest, convener.

Jamie Hepburn: Deputy First Minister, you have mentioned a couple of times that the Scottish Government is accepting the recommendation to increase the level of carers allowance to that of jobseekers allowance. Can you spell out exactly what that means for someone in receipt of carers allowance? How many people would benefit from that?

Nicola Sturgeon: As I have just said, carers allowance has the lowest level of all the benefits that are currently paid. Our proposal would take carers allowance from £61.35 to £72.40, which should be of significant benefit to carers. I want to be very clear that I do not see that as the be all and end all of the support that government owes to carers. They do an absolutely invaluable job for society. I know that many carers have other issues with carers allowance: the threshold, the number of hours that they are allowed to work and how carers allowance interacts with other benefits. Those matters require to be looked at as part of a bigger review of the benefits system, but it is an important statement of intent and an important statement of the value that we attach to the contribution that carers make to say that they should not be getting a level of benefit that is below basic jobseekers allowance.

Jamie Hepburn: The increase that you have just indicated would take the carers allowance to in excess of £500 a year.

Nicola Sturgeon: It would be between £500 and £600 a year.

Jamie Hepburn: I would have thought that that would be very welcome for most carers.

I note that you were at the Greater Maryhill Foodbank yesterday in relation to what I am sure was the very welcome announcement of support for that institution and other organisations doing work on the ground. Of course, the committee has published a report on food banks that established that the UK Government's welfare reforms are a huge driver for the increase in the use of such organisations, and none more so than the sanctions regime. Again, the committee published a report on sanctions in which we accepted the need for conditionality but said that it should be backed by greater support. I think that the expert working group said something similar. What is the Scottish Government's perspective on that

recommendation and on sanctions more generally?

Nicola Sturgeon: I support the thrust of what the expert working group said on sanctions. I think that the expert group is quite clear, although there are obviously differences of opinion around the issue, that some form of conditionality has a role to play in any benefits system. However, the real concern, which is one that I share because of my experience of dealing with constituents—I am sure that that is the case for every member around this table—is that the current sanctions regime is indiscriminate and heavy-handed and leads to inequity and hardship for a lot of people, particularly those who have children.

I have had people at my surgeries and in my constituency office, as I am sure other members have, who find themselves sanctioned without a clear understanding of why. The consequence of that is that they are often without any means of support for them and their kids for however long the sanction lasts. We need a system that is much more about supporting people through the difficulties that they face in getting into work, rather than one that just slaps on sanctions for reasons that are often difficult to fathom.

I keep hearing the DWP's view—it was put to me in an interview yesterday, although I should say that the interviewer put it to me as being somebody else's view—that the rise in demand for food banks is because we have more food banks and folk just decide to go to them. That is insulting beyond measure to people who have to go through what must be the real trauma and indignity of going to a food bank. The 400 per cent increase in demand for food banks over the past year is down to the cuts in benefit provision that Westminster is implementing: that is the hard reality.

Jamie Hepburn: Yes. We heard experts from Heriot-Watt University make the point that that rise in demand is definitely not supply led but is, sadly, definitely demand led.

A lot of the early work of this committee was done through the have your say process and a lot of witnesses who had gone through the work capability assessment came to speak to us about their experience, which was universally negative. The expert working group has posited a change to the work capability assessment, saying that it should be scrapped and replaced with something a bit more enabling and with more of a partnership philosophy. How does the Scottish Government respond to that?

Nicola Sturgeon: Again, I agree with the recommendation. Obviously, work needs to be done on the detail of what would replace that. It is fair to say—again, this is a view born out of

experience—that the work capability assessment has led to quite horrendous cases of stress and anxiety on the part of people who have been put through that process. Any such system has to be humane and personal, and the assessments should always be carried out by clinicians. I personally do not believe that it is the kind of system that we should outsource to private companies. Because it is such a fundamental part of how we support people with disabilities, it should be a role of Government.

There is a real need to put in place something that is much more fit for purpose. As I said, there is some careful consideration to be done of exactly what form that will take, but the current system is, I think, deeply discredited.

Alex Johnstone: I want to go back to the money issues that the convener raised in his opening questions. The cabinet secretary talks regularly about cuts and gives a broad figure of £6 billion for those cuts—she mentioned that earlier. I would like a rough breakdown of that figure. Is it an annual figure, a five-year figure or a 10-year figure?

Nicola Sturgeon: I do not have the document in front of me, but the Scottish Government has published an analysis, which I am pretty sure has been drawn to the attention of the committee, although I am happy to make it available.

Alex Johnstone: I am looking for a basic indication of what period that £6 billion figure relates to, because it has no meaning unless we know that.

Nicola Sturgeon: I think that it is for the four years up to 2015-16. As I said, it is in a published document by the Scottish Government, but I am more than happy to draw it to Alex Johnstone's attention again.

Alex Johnstone: Is it the case that the figure extends over four years?

Nicola Sturgeon: It covers the years up to 2015-16.

Alex Johnstone: It is an accumulated figure.

Nicola Sturgeon: Yes.

Alex Johnstone: When you talk about that accumulated figure, which you do in very general terms, it sounds like a commitment to return that money to the benefits system, but in an earlier answer you said that when you asked the expert group to consider welfare, you made an assumption that it would do that roughly within existing figures. Is there a commitment to return that money to the welfare system in Scotland, or is it just a vague commitment that is designed to sound attractive to people who are in desperate situations?

Nicola Sturgeon: No—there is a real commitment to undo some of the damage. Some of the £6 billion has come from the link between benefits and tax credits and the cost of living not being maintained over the past few years. There was a freeze in increases and then a 1 per cent cap. We cannot go back and undo the damage that has been done in previous years, but going forward we can guarantee the link between benefits and the cost of living, as I have said today we will do.

Similarly, much of the impact on disabled people has come from the transition from the disability living allowance to personal independence payments. We are saying clearly that we will not continue the roll-out of personal independence payments. The exact cost implications and over what period they would apply will depend on the UK Government's intended roll-out, and we still do not know the precise timetable for that. However, we do not agree with that change. There are clear and tangible things that we can do. We cannot turn back the clock—I wish that we could, in some respects—but, in moving forward from the point at which we will have control over the benefits system, we will do some things very differently in order to stop the impact falling on the most vulnerable people in our society.

Alex Johnstone: So, are reductions in tax credits actually included in your figure of £6 billion?

Nicola Sturgeon: The figure includes the fact that tax credits are not rising; it shows the money that has been taken out of the economy and the impact on real people.

Alex Johnstone: There are substantial changes in the tax system that, taken as a whole—

Nicola Sturgeon: It is a net figure.

Alex Johnstone: There have been significant reductions in tax credits, but they have been made as part of more general changes in the tax system, which have meant that the basic tax threshold has increased to the extent that people are between £800 and £1,000 better off.

11:00

Nicola Sturgeon: The figure that you are asking about looks at the net impact of changes on individuals. I am sorry if it is not palatable.

Alex Johnstone: You use the phrase “net impact”, but in working out the net impact, it is surely necessary to balance one change in the tax system against another. Simply considering one change and counting it as a cut without taking the other change into account expressly does not give a net impact.

Nicola Sturgeon: There is plenty of evidence from a range of organisations that the changes that Alex Johnstone is talking about, such as raising the tax allowance, do not compensate for the range of other changes for every person. It stands to reason that when tax credits and benefits do not keep pace with the cost of living, and when significant changes are made to benefits for disabled people that take money out of the system, it has an impact. That impact is what we have tried to quantify in the way that you are talking about.

Alex Johnstone: We have moved on from talking about cuts in general and the headline figure to being concerned about the specifics.

Nicola Sturgeon: The headline figure is important because it gives an indication of the money that is being taken out of people's pockets, but we are trying to focus on the impact on individuals, which is resulting in people ending up at the doors of food banks. We are talking about real-life impacts that are being experienced every day. I cannot speak for every member, but such people are pitching up at my constituency surgeries. Those are live impacts of changes that are happening right now, and with which the Government in Westminster plans to continue.

It is perfectly valid to argue, if such is your position, that the changes are being made for the right reasons and that everything that is happening is perfectly justified, but you cannot deny the impact that they are having on particular groups of people.

Alex Johnstone: Taken in their entirety, would the proposals of the expert working group on welfare have the effect of reversing the cuts that you are talking about?

Nicola Sturgeon: I am setting out what we would do in the future. We cannot reverse things that have happened in the past, such as people losing money because their tax credits or their benefits have not increased in line with inflation, but in the future we can ensure that that link is maintained. Similarly, we can say—as we are saying—that we will not go ahead with certain changes; we are not going ahead with the roll-out of universal credit or with the roll-out of personal independence payments. That will have consequences.

The commitments that we are making are very firm. When we get into the scenario, it will be for other parties to decide on their policies and what commitments they want to make. We are saying that, if we want to stop some of the changes that will continue to have an impact on people, we need to do things in a different way from what has been planned in a range of areas.

Alex Johnstone: You are not making a commitment to reverse what has been done—you are simply making a commitment to take a different direction in the future.

Nicola Sturgeon: I do not have power over welfare—I wish that I did. If I did, we would not be doing some of the things that are having the impacts that we are talking about. Unfortunately, I do not have that power. With the best will in the world, I cannot turn back the clock a year or two to restore the link between benefits and the cost of living, but I can say clearly that, in the future, if we have responsibility for welfare, we will maintain a link between benefits and the cost of living, so that the incomes of the lowest-paid people do not continue to fall behind the cost of living, which pushes more people into relative poverty.

Alex Johnstone: I notice that the report says that you would use the consumer prices index as your measure, but I remember that when the use of the CPI was adopted, you were one of the people who complained about the move away from use of the retail prices index. Is that change no longer significant?

Nicola Sturgeon: We asked the expert group to look at such matters, and it has recommended that the link should be with the CPI.

Kevin Stewart (Aberdeen Central) (SNP): Good morning, Deputy First Minister.

You said in your opening statement that “trust ... has broken down.” I would argue that trust has broken down and that, in many places, it has been replaced by fear because of the Westminster Government's welfare changes.

Mr Hepburn touched on work capability assessments; there seems to be real fear about them. On a recent visit to the MS Society in Aberdeen, assessment was one of the big issues that kept coming up. The concerns were not just about work capability assessments, but about the assessments that will take place because of the changes from DLA to PIP. How do we overcome that fear? How do we ensure that any assessments that are done in the future are done fairly and without the involvement of private enterprise?

Nicola Sturgeon: I am quite clear in my mind that as we take responsibility for such areas of policy, any assessment of people with disabilities has to be done in a way that recognises the clinical specialism that is involved. Clinicians have to be involved; the expert group was very clear about that. This area is not right for outsourcing to the private sector.

The expert group was very clear in its views about the breakdown of trust and the fact that many people who are in the broader social

security system feel scared and uncertain. It will take time to rebuild trust, but that is why the expert group's focus on principles and what any welfare system should try to achieve is so important, because we are starting to work from first principles, as opposed to what we have got into in this country, which is the characterisation of everybody who is in the social security system as a scrounger or a skiver who is ripping off the taxpayer when they are capable of working.

Let me be clear about this: the benefits system should not mean a free ride for anybody who is capable of working. There is no doubt at all that we want people who can work to work. When they are in work, we want them to be paid a decent wage so that they are less dependent on top-ups from the state. However, there are people, particularly those who have long-term disabilities, for whom work is not the route out of poverty, so we have to ensure that those people are dealt with in a system that is personal, that is respectful of their dignity and that does not create the climate of fear and uncertainty that exists for a lot of disabled people right now.

Kevin Stewart: Something that came up again and again was the changes to the system itself and how they might be much more costly for the state. I will give you an example. Folk were saying that if there were massive changes from DLA to PIP, money would be lost and folk's independence would be taken away from them in travel and other respects. It might mean that a relative would have to give up work to care for them. How do we ensure that in the future, in an independent Scotland, we get strategies right so that we can allow folk to keep their independence and allow them and their relatives to continue to work?

Nicola Sturgeon: The answer to that has a number of different strands and goes back to things that we are already grappling with in our devolved responsibilities about better alignment of services, whether they be health, social care, employability services or whatever. It is important to make sure that we do not have the situation that many carers find themselves in now, in which the cut-off points in their allowances mean that if they work for more than a certain amount of time, they lose out completely. There is a cliff edge there. We need to make sure that services all join up much better.

My thinking on all this has been developed by the report that we are talking about. We need to take a fundamental look at how we support people who have disabilities. Right now, people who have disabilities are in the general welfare system and are often treated in a way that is driven by the desire to get people off benefits. I have already said that when people can work, they absolutely should be expected to work, but disabled people

feel very caught up in this idea that anyone who is in receipt of state benefits is somehow a scrounger or a skiver, so we have got to get away from that. I am attracted to what the expert group has said about looking discretely at how we support long-term disabled people so that they can have independence and a decent quality of life that lifts them out of poverty. A lot of work is to be done on that; I am not sitting here saying that we have all the answers to questions about how we will do that. The opportunity to look at things in a different way will open up to us; we should take it.

Kevin Stewart: It would be fair to say, based on the evidence that the committee has taken from folks with long-term conditions, and from speaking to folk at the MS Society event that I mentioned earlier, that people want to work for as long as they can and retain their independence. What is so sad about the situation in which we find ourselves with the Westminster reforms is that everyone seems to be tarred as a scrounger or a skiver, which is absolutely ridiculous.

With regard to bringing together the current Westminster welfare responsibilities and some of our devolved responsibilities, do you think that such a realignment of services offers real opportunities to provide better services and better welfare for our disabled people?

Nicola Sturgeon: It does, and the same applies across a range of different policies. The argument does not sound the most exciting, but one often finds that because some powers are held at Westminster and some are held here, there is a real dislocation.

With regard to the split between employability responsibilities and some of the Scottish Government's responsibilities in the area that Kevin Stewart mentioned, many of the changes to support for disabled people are being driven by Westminster. Westminster will see those changes as cutting costs, but the implication will be a transfer of those costs to areas for which the Scottish Government is responsible, such as health or local authorities. That will have to be picked up somewhere in the system.

An ability to bring all the responsibilities together, and to view services in a holistic way, lends itself much more to finding better solutions for how we support people in one of the most vulnerable groups for which we have to cater.

Kevin Stewart: There would be an end to the current scenario in which Westminster is, in many cases, shunting costs on to other public bodies, which often leads to greater public costs beyond that. There are huge costs to people's lives because there is not a holistic approach.

Nicola Sturgeon: Yes. I am not saying that that will happen automatically; we know from

experience how difficult it is to integrate health and social care. Even in areas that are already devolved, there can, if we do not get the right structural set-up, be a tendency to work in that non-holistic way.

The first step is for us to have responsibility for all the areas, so that we can look at how we align and integrate the various services in order to provide the best outcome. That does not happen by magic and it is not always easy, but we will have a better chance of doing it if we have all the responsibilities in our own hands.

Kevin Stewart: Thank you. I would welcome that opportunity.

Ken Macintosh: Deputy First Minister, you mentioned sanctions earlier. The report was quite strong on the need to abolish the current system of sanctions, but it mentions the possibility of replacing that system with a system of conditionality. Can you explain the difference between sanctions and conditionality?

Nicola Sturgeon: In basic terminology, sanctions are a form of conditionality, such that people do not get benefit unless they do certain things, and benefit can be removed. The problem with the current sanctions regime is the way in which it is applied; it is, in my view, being applied very indiscriminately and in circumstances in which people need more support. For example, a single mother may end up being sanctioned because she has not had childcare and has been unable to do the things that she is required to do. That makes no sense.

The working group's report mentions a more supportive approach in that respect. If someone gets into a situation in which they are, over time, wilfully not engaging with the system, everyone would, I think, accept that there must be a degree of conditionality. However, the first instinct should not be what it is, or appears to be, just now, which is to use any excuse to slap a sanction on somebody. The focus should instead be on working with the person to understand what the barriers are. We should try to have a system that helps people to overcome barriers.

As with all aspects of the expert group's report, if we are to take responsibility in that area and put such systems in place, a lot of work will need to be done on the detail. The report says that the issue is an important part of the proposed national convention process.

It is not so much that there is a strict line between sanctions and conditionality, but that sanctions are a form of conditionality. The issue is that, at present, sanctions are being applied in a way—deliberately, in my view—that is deeply wrong and counter-productive. That is the bit that we do not talk about as much. We talk about the

impact on people, which is understandable, but the counterproductive nature of the way in which sanctions are applied in not providing the support to help people back into work is also of considerable concern.

11:15

Ken Macintosh: You mentioned the plans to increase carers allowance. Do you believe that people will be better off as a result of your increasing carers allowance?

Nicola Sturgeon: Yes.

Ken Macintosh: I mentioned that because I have had correspondence from somebody who believes that, although one part of carers allowance will increase, another part will decrease. Is it your understanding that they will definitely be better off as a result of the change?

Nicola Sturgeon: Yes, but I said earlier that there are other issues that relate to how carers allowance interacts with other parts of the benefits system that have to be looked at. It is not just the amount that the carers allowance is paid at that is an issue; as I said earlier, there are issues with the thresholds and suchlike. As part of an overall approach to looking at welfare and rethinking how we do welfare, I would want us to look at broader issues. However, I believe that increasing the level of carers allowance will make people who are on it better off, and that was the expert group's view.

Ken Macintosh: When the First Minister was asked last year whether he supported the benefit cap, he said:

"If you have the right cap deployed in the right way, then that is a reasonable thing to have."

Do you agree with that statement?

Nicola Sturgeon: The First Minister put in a couple of ifs and said that those ifs were not satisfied with the benefit cap that we are talking about. He drew a distinction between a theoretical discussion around whether there was ever any merit in such an approach and the specific situation that we now have.

What the expert group has proposed is better than the benefit-cap approach that the UK Government is taking. There is an onus on the Government to report to Parliament on the level of social security expenditure at certain points during every parliamentary term and, obviously, it has a responsibility to explain any particular changes in that. I favour that approach over the one that is currently deployed.

Ken Macintosh: I appreciate that the First Minister put in caveats, but with the caveats that he put in, do you agree with the point that he made?

Nicola Sturgeon: The Government, which includes the First Minister, agrees with the expert group, which has laid out an alternative approach, which is a responsibility on the Government. It remains to be seen how the UK Government will implement the benefit cap, what will happen when it is breached, and whether it will simply allow that to go by the wayside or cut people's benefits. I suppose that, if the approach is to be meaningful for its purposes, we would have to assume that it will do that. That is very worrying. However, the Government's view is that we favour the approach that is set out in the expert group's report.

Ken Macintosh: I agree, and I will come back to that. However, I would like to clarify the matter, because it caused some confusion at the time. The First Minister made a very specific statement. He said:

"If you have the right cap deployed in the right way, then that is a reasonable thing to have."

To my mind, it is clear that the First Minister said that to indicate that he is not against some form of benefit cap. Was he right to use the very specific wording that he used? Do you agree with the words that he used?

Nicola Sturgeon: I know what the First Minister was communicating: that we accept that any Government has to be responsible and accountable for spend on the welfare budget, as it has to be for spend in any other area of Government. However, as you have demonstrated in reading out that quote a couple of times, he was clearly not agreeing with the current UK Government's approach to the benefit cap. He made a hypothetical statement about the position if we get a number of things right. The Government agrees that accountability and responsibility are more meaningfully exercised and discharged in the way that the expert group talked about in its report than they are through the approach that the UK Government is taking.

Ken Macintosh: I think that some people would think that the First Minister is trying to have it both ways in suggesting that a form of benefit cap is reasonable.

Nicola Sturgeon: I think that you are being too cynical, if I may say so. It is very unlike you, I have to say.

Ken Macintosh: Highly unlike me.

The working group said that there would be no net additional costs—there would be some additional costs but some savings too. Is that your view of how the new system will work? Is it your view that it will not cost any more than the current system?

Nicola Sturgeon: That is the view of the expert group. You have had the expert group in front of

you and it is for the group to set out its own thinking; it is not for me to do that. There are things that we—by which I mean the Government, not the expert group—are saying that we want to do, many of which draw on the recommendations of the expert group, which have a cost implication: increasing carers allowance, which you asked me about, and restoring the link with the cost of living. I should say that the UK Government currently says that it is going to do that, in 2017-18 I think. We will see whether that transpires. It says that it is going to do it, so presumably its projections include a costing for it.

There are cost implications if we do not want to go ahead with personal independence payments and the loss of income for groups of disabled people that that will entail, but what the expert group is rightly pointing to is that if you get other things right in your welfare system and if you do certain other things to tackle in-work poverty, the savings that you make can be broadly equivalent to the cost implications of that. That is the point that it is making in terms of the broadly neutral cost implications.

There are clearly up-front cost implications of some of the things that we are saying that we want to do. Of course we have said that we would take a different approach to public spending, in terms of the growth of public spending in the years following independence, from that of the current UK Government. I may be wrong here, but I think that the Labour Opposition has said that it will stick to 1 per cent growth in public spending. We have said that, while keeping our public finances sustainable with the deficit on a downward trajectory as a share of GDP, we can aim for 3 per cent growth in public spending. We think that that is more appropriate and more in the interests of the overall growth of the economy.

Ken Macintosh: Just to clarify, do you agree with the expert group's findings?

Nicola Sturgeon: I have said that we are looking sympathetically at such things as moving over time to having a minimum wage that equals the living wage. Obviously, we have to look at the timing of that. What I am trying to be very frank about is the fact that these things do not happen just by waving a magic wand or clicking your fingers; you have to get these things right. For example—we have not gone into the detail of this yet—a lot of what the expert group is talking about is the failings of the current work programme and the need to spend more resource on those who are furthest away from the labour market to help them into work. The group is right that if you tackle some of the need to subsidise low pay by raising wage levels, a sustainable welfare system does not require to be one for which the bill is constantly rising. It is just about using money better and

making savings to ensure that the money that you are spending on welfare is getting to those who need it most.

Ken Macintosh: Thank you very much.

Jackie Baillie: I join the Deputy First Minister in welcoming the efforts of the members of the expert group on welfare. I want to pursue carers allowance first. I think that the press release from the Scottish Government indicated that 102,000 people would benefit. Ken Macintosh has set out that the reality is that fewer would benefit, as some people in receipt of carers allowance will not receive it because it is offset against other benefits. Will the Deputy First Minister confirm that the actual figure for those who would benefit is 57,000?

Nicola Sturgeon: I am more than happy to look at what Jackie Baillie is putting to me and to reply to her in writing on the detail of it. I would hope that there would be an agreement here that raising the level of carers allowance is the right thing to do, but there are other aspects of how carers allowance interacts with the benefits system that we require to look at, because the intention here is to help people who are eligible for carers allowance.

That is one of the many areas where, if we get into the scenario of having responsibility for it, I am sure that Jackie Baillie would be very keen to work with the Government—or, if Jackie Baillie is in the first Government of an independent Scotland, I would be keen to work with her—to ensure that how we implement the changes benefits as many people as possible, because the intention is clearly to do that.

Jackie Baillie: I am, as ever, keen to work with the Government. I question whether it is quite so keen to work with me, but perhaps there is a new dawn.

Nicola Sturgeon: There will be a new dawn if we vote yes—even on the point of working with you.

Jackie Baillie: Clarity is important to the people of Scotland, whatever the constitutional outcome.

Nicola Sturgeon: I am perfectly clear about what we said, but I am happy to take away your figures.

Jackie Baillie: Can I share a piece of information with you?

Nicola Sturgeon: Of course.

Jackie Baillie: The national statistics distinguish between the number of cases where carers allowance is paid—those payments number 57,000—and entitlement-only cases. It is important for the clarity of the carers sitting at home that we have a clear number.

I will move on. Experts have suggested that the IT system would have set-up costs. I know that the cabinet secretary made a distinction between investment and costs, but you would need a different IT system to administer a changed benefit system. It was suggested that that system would cost £300 million to £400 million. Do you agree with that figure?

Nicola Sturgeon: I am not going to put a figure on the cost. As Professor Dunleavy said, we require to have information from and discussion with the UK Government before we can identify a figure and the UK Government is refusing to have such discussions.

I recommend Professor Dunleavy's work on the issue. He makes the distinction between what he terms pure set-up costs—the money that you do not get back because it relates to setting up something anew—and investment costs. He makes the point on computer systems that—I am not just talking about welfare—the Government controls the pace of any work. That work involves putting in place systems that are fit for purpose and can deliver efficiency savings over time.

Professor Dunleavy also makes the point that, as part of the UK, systems are periodically updated and that we pay our share of that right now. I would not describe that as a set-up cost; rather, it is an investment cost that a Scottish Government would make to ensure that we have fit-for-purpose systems to administer our welfare system.

Jackie Baillie: Whatever you describe those costs as—I am happy to go with alternative descriptions—do the sums £300 million to £400 million fit?

Nicola Sturgeon: No, that is not a figure—

Jackie Baillie: You do not know the cost.

Nicola Sturgeon: We have had this discussion on set-up costs across a range of issues, and I have said that I am perfectly ready and willing to talk to the UK Government. I am happy to clear my diary and do that at a point of its choosing if it wants us to bring more clarity to the issue. However, as Professor Dunleavy said, the barrier to doing that is an inability and unwillingness on the part of the UK Government to enter into such discussions.

Jackie Baillie: I think that you would agree that the expert group's first, interim report suggested that, as a way to avoid risk, you should share the UK system. Nevertheless, you have quite clearly said that the Scottish Government would want to make a priority change to social security immediately following separation. If you cannot use the existing system, because sharing a system in which you would be going in a different

direction would be difficult, how do you propose to consult on, legislate for and design, build and test systems in a period of 18 months or two years or however long that would take?

Nicola Sturgeon: We will do what requires to be done to move from a system of shared administration to a system where we are able to start the process of implementing the welfare system that we want. As is evidenced by the experience in Northern Ireland, it is possible to make changes in shared systems; indeed, Northern Ireland has opted to make some of the changes already.

We may be able to make changes through a shared IT system and operate that system for longer, but we will not know whether that would be possible until we can have a proper discussion. However, we are clear that, in a short period, we want to start the process of making the significant changes that I think we all want to see in a Scottish welfare system as quickly as possible.

Jackie Baillie: I am interested in your example because Northern Ireland will remain in the United Kingdom and benefits will be paid in sterling; there is no such clarity with the position adopted by the Scottish Government.

Nicola Sturgeon: For the record, convener, yes there is.

Jackie Baillie: Well, there you go. We could say, "Yes there is," and, "No there isn't," all day—

Nicola Sturgeon: Well, I think that it is a statement of fact that—

Jackie Baillie: —but I will avoid that. Why have the expert group and the Government previously used, and why do they currently use, GDP as a measure of welfare affordability?

11:30

Nicola Sturgeon: A standard measure of how one determines the affordability of things in an economy is the proportion of the economy that they make up. On that measurement, not only is welfare more affordable in Scotland than it is in the rest of the UK, it is also more affordable than it is in many other Organisation for Economic Co-operation and Development countries.

Jackie Baillie: It is interesting, then, that your fiscal commission suggested that comparisons of GDP per capita including North Sea oil should be viewed with caution as we know that much of the output from North Sea oil flows overseas. An alternative that your fiscal commission supports that accounts for that is gross national income, and a number of independent economists have suggested that that would be a better, more realistic measure.

Nicola Sturgeon: I am not aware that Labour has decided that GDP is suddenly not a relevant measure of the economy's wealth. I—

Jackie Baillie: This is what your experts are asking.

Nicola Sturgeon: I will remember that the next time I hear Ed Miliband talk about the latest GDP figures, but—

Jackie Baillie: Can I just interrupt? I do not think that this is funny. This is—

Nicola Sturgeon: I am not laughing.

Jackie Baillie: But your members are. This is about whether a system is affordable and is judged by independent economists to be affordable. I know that you would treat that question seriously.

Nicola Sturgeon: Let me answer it in two different ways. I find the assertion, which we seem to hear more and more often from Labour, that Scotland cannot be independent because we cannae afford anything to be deeply insulting to people across this country. We pay for the services that we currently enjoy in Scotland from the taxes and the national insurance contributions that we already make.

I know that Jackie Baillie will be aware of the fact that, for every single one of the past 30-odd years, we have generated more tax per head of population than has been the case elsewhere in the UK. The idea that Scotland is somehow subsidised and the only reason why we can have a welfare system or a pensions system right now is that there is a money tree in London sending us up free money has no basis in fact, and I think that people find it insulting. We pay for our welfare system now and we will do that in an independent Scotland.

On the measurement of our country's wealth, the tax revenues from North Sea oil and gas do not flow overseas; they flow to the Treasury in London, and frankly they are as likely to be spent on nuclear weapons and whatever else George Osborne wants to spend them on as they are to be spent on things that are actually for the betterment of people in Scotland.

Scotland can afford a welfare system, but the real benefit of being independent with powers over welfare is that we get the chance to decide how those resources are spent in a way that benefits the people who depend on that system. Jackie Baillie can continue to defend the right of Tory Governments to dismantle our welfare state—she is perfectly entitled to do that—but I prefer to argue for Scotland taking responsibility to build the kind of system that we can be proud to have.

Jackie Baillie: It is interesting, I find, that the Deputy First Minister did not answer the question, because none of what she said was indicated as an opinion by me. I merely wanted to know why the measure of GDP, which has been criticised by the Government's economists as well as by independent ones, is the one that is used. I am clearly not going to get an answer to that, so—

Nicola Sturgeon: Jackie Baillie wants to cite independent advisers. The expert group on welfare is a group of independent advisers to the Scottish Government, unless she is impugning something else. They are independent and they have said that the welfare system in Scotland is affordable because they have used the GDP calculation, which is perfectly valid. I cannot recall whether the point was pursued with the expert group when it was here, but I am perfectly sure that it would be keen and able to stand behind the judgment that it made in its report.

Jackie Baillie: That is helpful. So your fiscal commission is wrong.

Nicola Sturgeon: No.

Jackie Baillie: Well, it is saying the opposite.

Nicola Sturgeon: Jackie Baillie can tie herself in knots trying to make this argument that Scotland is somehow too poor to be independent, but the facts do not bear it out, and that is the reality that she will keep running into, in a pretty headlong fashion.

Jackie Baillie: I did not make that argument. I was simply asking the Deputy First Minister—but I will move on. Can I ask about transitioning benefits such as employment and support allowance, DLA and PIP? Do you envisage a requirement for reassessment?

Nicola Sturgeon: I hope that what we propose is common sense. We will have to see the state that the transition to universal credit and PIP has reached by the time we become independent. I still do not have a clear sense of what the timescale will be or of the number of people who will have moved on to a new system. For people who have not made the transition, we will not carry on with the transition, so people who are on DLA at that stage will not need to be reassessed.

Jackie Baillie: If people had made the transition, would a reassessment be required?

Nicola Sturgeon: I will have to be mindful of what will have happened under a process that I do not control. I would rather that the UK Government did not go ahead with this botched reform. If there is a yes vote in September, I hope that the UK Government will respect that and not continue to roll out PIP in the intervening period. That will mean that very small numbers are involved; we will then make a judgment about the situation. We

will have to see the situation that we inherit—the number of people who have been transitioned to a new benefit. Given the anxiety among disabled people that we talked about, it is not in my interests to put people through unnecessary assessments.

Jackie Baillie: I will move on to pensions—this will be my last question, convener. I am conscious that the expert working group did not consider pensions, although I think that they make up a third—you will correct me if I am wrong—of all social security expenditure, so they are central to future discussions. When will the working group that John Swinney set up to look at the affordability of pensions report? Will its work dovetail with that of the expert group on welfare?

Nicola Sturgeon: There is no working group to look at the affordability of pensions. The Scottish Government's paper on pensions, which I am pretty sure Jackie Baillie has read, was published last September.

Jackie Baillie: There is no working group.

Nicola Sturgeon: Not to look at the affordability of pensions.

Jackie Baillie: I am sorry—I must have been misinformed.

Annabelle Ewing: I will give some clarity, because not all of us who are sitting round the table attended the meeting at which we put questions to the expert working group on welfare—I do not think that Jackie Baillie was able to put questions then. Martyn Evans said:

"The taxes that are raised in Scotland pay for our system already—we are already paying for it".

The position could not be much clearer than that.

We have touched on a lot of issues, which has been extremely helpful. I do not want to waste the Deputy First Minister's time or the committee's time by going over issues that have already been raised. I would like to ask a more broad-brush question.

We have discussed the purpose of a social security system and it has been emphasised that, *inter alia*, that should include being a springboard to get people into work. That is important. The system is also a safety net. At our meeting on 24 June, Martyn Evans said:

"We propose that the purpose for an independent Scottish social security system must be to provide a safety net through which individuals cannot fall".

He and the expert working group had

"heard evidence of a widespread will to build a new system that is fit for purpose and progressive."—[*Official Report, Welfare Reform Committee*, 24 June 2014; c 1565, 1562, 1563.]

I will quote a witness who was brave enough to come to our committee to talk about her family's experience of the benefits system. I read out the quote when the Parliamentary Under-Secretary of State for Scotland, David Mundell, appeared before the committee on 26 June. Regrettably, he seemed to be in denial about what the lady was saying.

For the record, I will read out the quote again. Lesley McMurchie talked about the experience of her husband, who has had a number of mental and physical health problems but was found to be fit for work. *Inter alia*, she said:

"I am a history graduate and I thought that, when we set up the welfare state, it was to be there for people such as my husband who worked hard and did his best so that, in times of need, something would be there for him, but it is not there ... There should be something there for those hard-working men and women who have contributed to society; they are being left with nothing."—[*Official Report, Welfare Reform Committee*, 5 February 2013; c 533.]

Surely the position of people such as Lesley McMurchie's husband lies at the heart of our debate today. I ask the Deputy First Minister to confirm that it is her vision for social security in an independent Scotland to create a system of a civilised country—a system that is based on dignity and which does not leave people such as Mr McMurchie to fall through the safety net.

Nicola Sturgeon: Absolutely. We must judge the efficacy, efficiency and dignity of any such system on whether it can provide a safety net for the kind of person you have just spoken about. What concerns me so deeply about what is happening to the social security system in this country is that—to put it as charitably as I can—the safety net is developing large gaping holes and lots of people are falling right through it. That is not right. It is not right from the perspective of the people who are falling through the safety net, nor is it right for society as a whole, because it benefits nobody if people are in that position, particularly people with disabilities. The burden falls elsewhere. It will fall principally on people's families, who care for them, and it will fall on the health service and local authority services.

That is why I thought that the expert group's characterisation of what a benefits system should be there to do was very powerful. The benefits system should be a safety net. It should be there to protect people against life's unexpected twists and turns, but it should also be a springboard. I feel strongly that the benefits system should not be abused or exploited. It should not be there to help people who just cannae be bothered getting out their bed to go to work. However, there are a lot of people on benefits who want to work and who cannot work or who are working but are not earning enough. We need to reorientate the system to help those people more than they are

being helped by the current system and to ensure that there is a safety net for those who, through no fault of their own, find themselves in a position in which work is not an option for them.

The Convener: I have a couple of points about issues that Martyn Evans raised when he was here. He said that he hoped people would be "better helped into work" by the proposed welfare changes in the group's report. I understand that this morning the Cabinet Secretary for Finance, Employment and Sustainable Growth is announcing proposals for an increase in employment. Will the figure that he announces include the projected increase in the number of people who would gain employment as a result of the Government's childcare proposals? I think that it was indicated that those proposals would increase employment.

Nicola Sturgeon: The cabinet secretary for finance is today setting out an aspiration—one that I hope you would agree with—to full employment. He is setting out what we need to do as a country to work towards that over time. Making the provision of childcare much better than it is now is a key part of what we consider that we need to do to get more people into work, as is having the right tax incentives in place to encourage more businesses to locate and expand here and provide opportunities. That is all part of the package of things that we need to do to become a higher employment—or, as we hope, a full employment—economy, with greater levels of productivity and participation in the labour market.

The Convener: I think that everyone would agree on the aspiration, but having an aspiration is not necessarily the same as having a specific figure. Apparently, a specific figure is being placed on the record this morning. A specific figure was given in relation to the childcare changes, but we subsequently discovered that no modelling was done to arrive at that figure. We are talking about getting people back into work and the finance secretary is talking about specific numbers. Is there any modelling to test those numbers against the aspiration that we all agree that we should have?

Nicola Sturgeon: I absolutely agree. Setting out an aspiration does not let us achieve that aspiration, but we are setting out across a range of areas—childcare included—how we can move towards that, for example by having control over our spending and revenues so that we have the ability to transform childcare and reap the economic benefits of that, and by having the tax levers to incentivise different sectors of our economy and encourage jobs growth. All those things do not happen by magic, but they will not happen at all if we do not have the ability to put in place policies to make them happen.

11:45

If the committee wants any more detail on any aspect of the paper that John Swinney is publishing today, we will be happy to provide it. However, I would simply say that this is about us as a country setting ourselves the ambition of what we want to achieve; having confidence in the skills of our people and the wisdom of whatever Government it would be to take the right decisions when we have our hands on the levers of power and access to our resources; and saying, "Do you know what? We can do better than we're doing right now." Notwithstanding all the difficulties that we have faced with the limited powers that we have had, we have done pretty well, but we can do a lot better if we have the full economic powers that come with being independent.

The Convener: But do you agree that, if specific figures are being provided on what we can expect, there should be some modelling that we can examine to see how those figures have been arrived at?

Nicola Sturgeon: If the committee wants more detail and information about the Government's workings on particular aspects of what is being published today, I will be more than happy to provide them.

The Convener: Do you agree that if we are to consider the expert working group's report, central to which is the aim of getting people back into work, we have to be able to test its capacity to achieve that outcome against the figures that the finance secretary is setting out?

Nicola Sturgeon: Absolutely. I am here to talk about these things, and we will move forward in a way that ensures that we try to reach our objectives.

First, however, we have to get control of the purse. Everything that we are discussing today about opportunities to build a better system in Scotland is academic if we do not get the powers to do that, because we will still have a Tory Government at Westminster going in completely the opposite direction to the one that I think all of us around this table—with perhaps one exception; I do not know—want to go in.

The Convener: Finally, with regard to the figures in the expert working group's report that we have been working on, Martyn Evans talked about where they could come from, but he specifically made it clear that we could not look abroad and try to transplant other countries' systems here in order to achieve the same outcomes. Do you agree?

Nicola Sturgeon: The comments that Mr Evans and the report have made in that respect are pretty sensible. They have said that we can learn

from other places, and we should all be keen and willing to learn lessons when we can. What they are saying—and I think that this is only common sense—is that, given the differences here, we could not simply transplant a system from another country and assume that it would work. However, that does not mean that we should not look to learn lessons from how best to do these things.

The Convener: I think that we can agree on that.

Jackie Baillie has a supplementary. As we are slightly ahead of schedule, I will allow her one short question.

Jackie Baillie: Thank you, convener. I promise that it will be very short.

I accept that the cabinet secretary has found it difficult to cost the whole paper. Have you been able to cost any of it and, if so, what costs have you arrived at?

Nicola Sturgeon: The expert group has set out where it considers the cost implications in both directions to lie. The specific changes that are being recommended are costed—the carers allowance is the obvious example—but, as we move forward, we will do this work in a holistic way that looks at the savings that we can make from lifting working people who are in poverty out of that poverty as well as the cost implications.

The Convener: I thank the cabinet secretary and her officials for taking the time to attend this morning's meeting. I certainly found the discussion interesting, and I hope that she did, too.

We will now move into private session to discuss our work programme.

11:48

Meeting continued in private until 11:58.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

e-format first available
ISBN 978-1-78457-855-8

Revised e-format available
ISBN 978-1-78457-869-5